Economic and Financial Profile of Québec

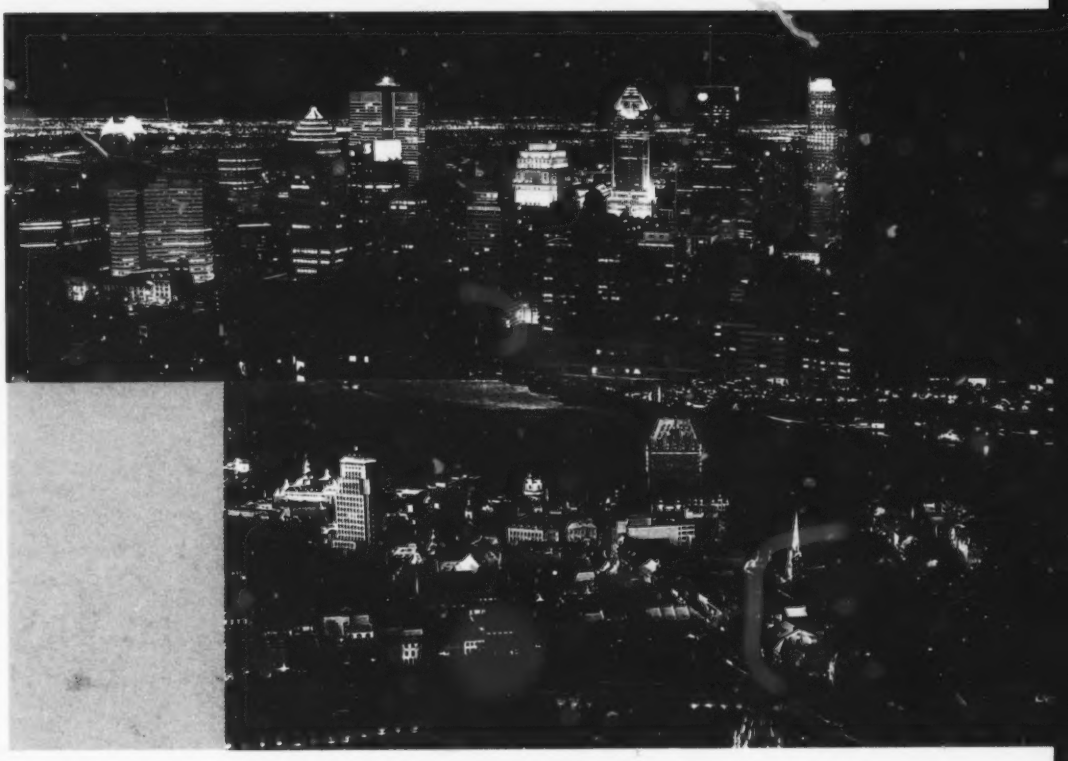
Spring 2003

Québec

103-04702/

Economic and Financial Profile of Québec

Spring 2003



Finances, Économie et Recherche
Québec

Photo acknowledgments:

· Alcan: page 4;
· Axor: Parc d'éoliennes Le Nordais, Gaspésie, back cover;
· Bell Helicopter Textron Canada: back cover;
· Bombardier Aerospace: page 5 and back cover;
· Bombardier Recreational Products: back cover;
· Cirque Éloize: © Cirque Éloize/photo Image-Média Mauricie : Patrick Beauchamps, page 20;
· Enviro Foto: photo of Québec City and Montréal, page 1;
· Euroweek: page 19;
· Ice Hotel Québec-Canada Inc. (photo Louis Ducharme): page 20;
· Hydro-Québec: cover page and page 4;
· Société internationale de télécommunications aéronautiques (SITA): back cover;
· City of Montréal (Studio multimédia/Johanne Palasse): back cover;
· Montréal Foreign Trade Zone at Mirabel: page 11.

The ECONOMIC AND FINANCIAL PROFILE OF QUÉBEC
is produced by the
Relations with Investor Service
Ministère des Finances, de l'Économie et de la Recherche
12, rue St-Louis, bureau 2.31
Québec (Québec) G1R 5L3
Telephone: (418) 646-4285
Fax: (418) 643-4700
E-mail: sri@finances.gouv.qc.ca

This document is available on the ministère des Finances, de l'Économie et de la Recherche
Web site at: www.mfer.gouv.qc.ca
Subscription available

ISBN 2-550-40550-1
ISSN 1185-6637
Legal deposit
Bibliothèque nationale du Québec, 2003
Publication date: March 2003

- Québec ranks first in terms of area in Canada, and second in terms of population, with 7.5 million people.
- With a gross domestic product of close to CAN$230 billion in 2001 (US$150 billion or €140 billion), Québec ranks among the top 20 industrialized countries in the OECD.
- Québec's per capita GDP ranks tenth among OECD countries, ahead that of Japan, France, Germany and the United Kingdom.
- Québec's per capita GDP is more than 10% greater than the OECD average.
- Under the North American Free Trade Agreement (NAFTA), Québec has preferred access to a market of more than 400 million consumers.
- Québec has direct access to 130 million consumers within a radius of 1 000 kilometers (600 miles).

S

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

THE PAGES WHICH FOLLOW HAVE BEEN FILMED TWICE IN ORDER TO OBTAIN THE BEST REPRODUCTIVE QUALITY

USERS SHOULD CONSULT ALL THE PAGES REPRODUCED ON THE FICHE IN ORDER TO OBTAIN A COMPLETE READING OF THE TEXT.

REMARQUE IMPORTANTE CONCERNANT LES PAGES QUI SUIVENT

LES PAGES SUIVANTES ONT ÉTÉ REPRODUITES EN DOUBLE AFIN D'AMÉLIORER LA QUALITÉ DE REPRODUCTION

LES UTILISATEURS DOIVENT CONSULTER TOUTES LES PAGES REPRODUITES SUR LA FICHE AFIN D'OBTENIR LA LECTURE DU TEXTE INTÉGRAL

Micromedia
ProQuest

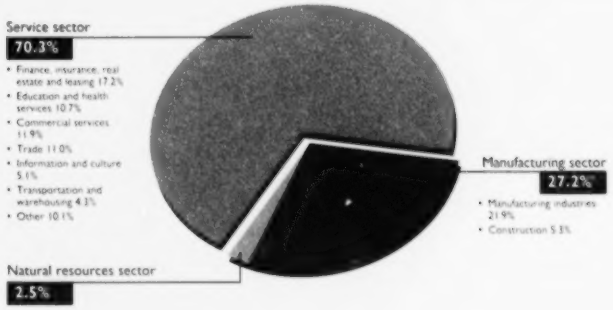
20 Victoria Street
Toronto, Ontario M5C 2N8
Tel.: (416) 362-5211
Toll Free: 1-800-387-2689
Fax: (416) 362-6161
Email: info@micromedia.on.ca

A diversified economy

A diversified post-industrial economy

- The service sector plays a dominant role, accounting for 70% of GDP.
- Despite the primary sector's small share of the economy, Québec is a major world producer of natural resources.

Breakdown of real GDP by major sector - 2002[1]



1 Preliminary results.
Source: Institut de la statistique du Québec

Aluminium smelter

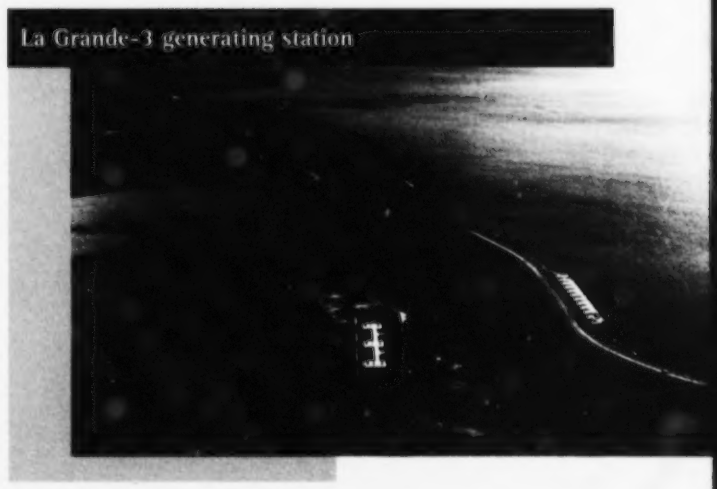
Abundant natural resources

- Mining:
  - Québec is one of the world's top ten mining producers.
- Aluminium:
  - Québec is the world's fourth-largest producer.
- Newsprint:
  - almost 70% of the newsprint used in the northeast United States is supplied by Québec.

Hydro-electricity and Hydro-Québec

- Fresh water covers 10% of Québec's territory, constituting one of the largest reservoirs in the world.
- The hydro-electric generating stations of Hydro-Québec, a government corporation 100%-owned by the Québec government, produce electricity:
  - in a clean and renewable way;
  - at a cost of production that is among the lowest in North America.
- With over 32 000 megawatts of power, Hydro-Québec serves 3.6 million customers in Québec, and sells electricity to the United States, Ontario and New Brunswick:
  - Hydro-Québec is the biggest exporter of electricity to the United States.
- Québec still has substantial undeveloped hydro-electric potential.

La Grande-3 generating station



A focus on high technology

Companies at the forefront of the world economy

- Many world leaders in high-technology sectors have chosen Québec.

Aerospace

- Québec ranks sixth in the world, ahead of Italy:
  - Montréal is the world's second-largest aerospace centre, behind Seattle and before Toulouse.
- Over 260 companies; 41 200 jobs.
- Sales in excess of $11 billion in 2001:
  - in six years, sales have risen by more than 80% and employment by 25%.
- Over 80% of production is exported.
- R&D in excess of $600 million annually.

Aerospace

- Bombardier Aerospace
- Pratt & Whitney Canada
- CAE
- Air Canada
- Bell Helicopter Textron
- Rolls-Royce Canada
- EMS Technologies Canada
- CMC Electronics
- Honeywell Aerospace
- Lockheed Martin

Biopharmaceutical industry

- Shire BioChem
- Merck Frosst
- AstraZeneca
- Wyeth-Ayerst
- Boehringer Ingelheim
- Bristol-Myers Squibb
- Aventis Pharma
- Pfizer
- MDS Pharma Services
- Novartis Pharma

Biopharmaceutical industry

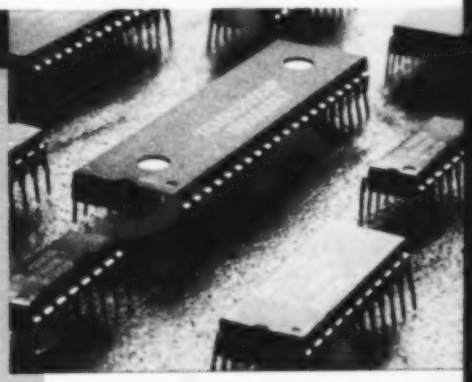
- Québec accounts for roughly 50% of shipments and 50% of investment in Canada's bio-pharmaceutical sector.
- The sector employs 15 600 people among almost 170 companies.
- Québec is home to 6 of the 7 research centres of multinational pharmaceutical companies in Canada.
- The Montréal region ranks fourth among the major metropolitain regions of North America in terms of the density of jobs in the bio-pharmaceutical sector.
- Québec boasts world-class clinical research companies.

Information technologies

- Over 120 000 jobs in more than 7 000 companies.
- R&D investment of some $800 million a year.
- Remarkable breakthroughs by software designed in Québec, for example, special effects in the area of film production.
- Exports worth over $15 billion in 2000.

Information technologies

- CGI
- IBM
- Bell Canada
- Ericsson
- SR Telecom
- DMR (Fujitsu)
- Telus Québec
- LGS Group
- Exfo
- BCE Emergis

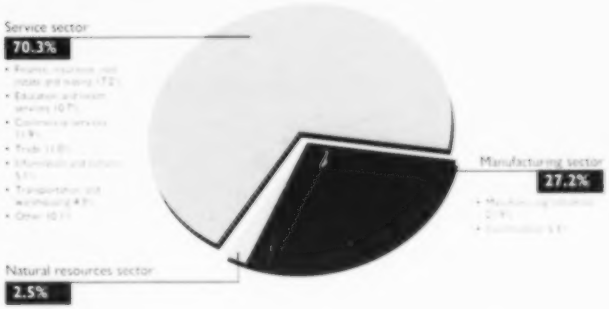


A diversified economy

A diversified post-industrial economy

- The service sector plays a dominant role, accounting for 70% of GDP.
- Despite the primary sector's small share of the economy, Québec is a major world producer of natural resources.

Breakdown of real GDP by major sector - 2002[1]



1. Preliminary results.

Source: Institut de la statistique du Québec

Aluminium smelter

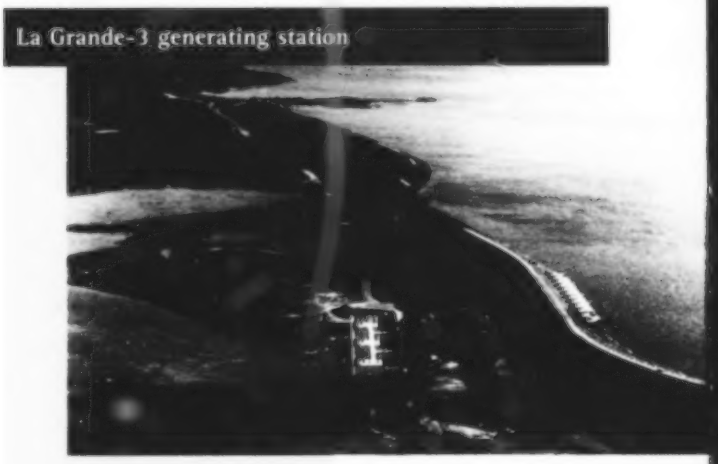
Abundant natural resources

- Mining:
  - Québec is one of the world's top ten mining producers.
- Aluminium:
  - Québec is the world's fourth-largest producer.
- Newsprint:
  - almost 70% of the newsprint used in the northeast United States is supplied by Québec.

Hydro-electricity and Hydro-Québec

- Fresh water covers 10% of Québec's territory, constituting one of the largest reservoirs in the world.
- The hydro-electric generating stations of Hydro-Québec, a government corporation 100%-owned by the Québec government, produce electricity:
  - in a clean and renewable way;
  - at a cost of production that is among the lowest in North America.
- With over 32 000 megawatts of power, Hydro-Québec serves 3.6 million customers in Québec, and sells electricity to the United States, Ontario and New Brunswick:
  - Hydro-Québec is the biggest exporter of electricity to the United States.
- Québec still has substantial undeveloped hydro-electric potential.

La Grande-3 generating station



A focus on high technology

Companies at the forefront of the world economy

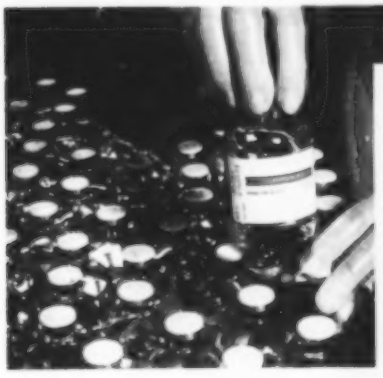
- Many world leaders in high-technology sectors have chosen Québec.

Aerospace

- Québec ranks sixth in the world, ahead of Italy:
  - Montréal is the world's second-largest aerospace centre, behind Seattle and before Toulouse.
- Over 260 companies; 41 200 jobs.
- Sales in excess of $11 billion in 2001:
  - in six years, sales have risen by more than 80% and employment by 25%.
- Over 80% of production is exported.
- R&D in excess of $600 million annually.

Aerospace

- Bombardier Aerospace
- Pratt & Whitney Canada
- CAE
- Air Canada
- Bell Helicopter Textron
- Rolls-Royce Canada
- EMS Technologies Canada
- CMC Electronics
- Honeywell Aerospace
- Lockheed Martin



Biopharmaceutical industry

- Shire BioChem
- Merck Frosst
- AstraZeneca
- Wyeth-Ayerst
- Boehringer Ingelheim
- Bristol-Myers Squibb
- Aventis Pharma
- Pfizer
- MDS Pharma Services
- Novartis Pharma

Biopharmaceutical industry

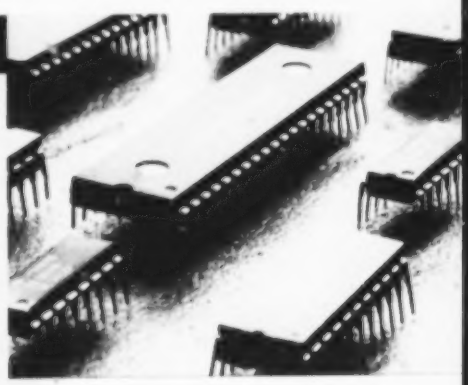
- Québec accounts for roughly 50% of shipments and 50% of investment in Canada's bio-pharmaceutical sector.
- The sector employs 15 600 people among almost 170 companies.
- Québec is home to 6 of the 7 research centres of multinational pharmaceutical companies in Canada.
- The Montréal region ranks fourth among the major metropolitain regions of North America in terms of the density of jobs in the bio-pharmaceutical sector.
- Québec boasts world-class clinical research companies.

Information technologies

- Over 120 000 jobs in more than 7 000 companies.
- R&D investment of some $800 million a year.
- Remarkable breakthroughs by software designed in Québec, for example, special effects in the area of film production.
- Exports worth over $15 billion in 2000.

Information technologies

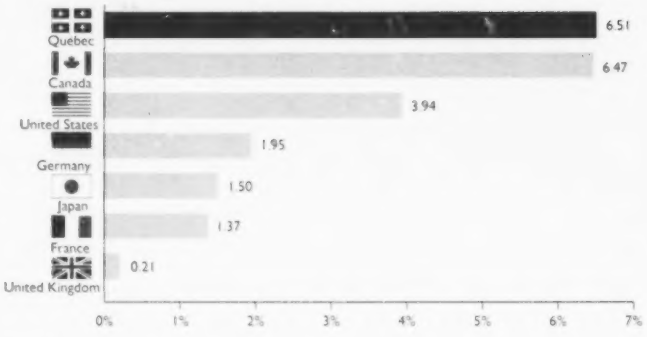
- CGI
- IBM
- Bell Canada
- Ericsson
- SR Telecom
- DMR (Fujitsu)
- Telus Québec
- LGS Group
- Exfo
- BCE Emergis



An advanced-knowledge economy

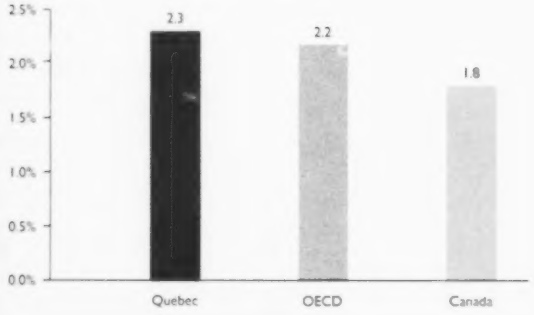
- Québec ranks ahead of every G7 country in terms of R&D spending growth by companies.
- R&D spending as a proportion of GDP stood at 2.3% in Québec in 2000 cornpared with 1.8% in Canada.
- 41% of companies that carry out R&D in Canada are located in Québec, a rise of 8 points since 1994.
- High technology companies account for just over 32% of Québec's exports:
  - compared with 14.1% for Canada.

Real R&D spending by firms
(average annual growth rate 1990-2000)



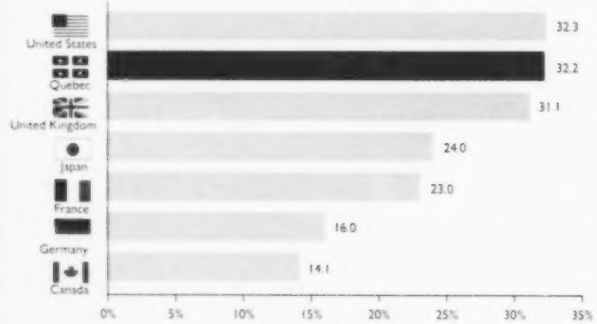
Sources: OECD and Statistics Canada for Quebec and Canada

R&D spending - 2000
(as a percentage of GDP)



Sources: OECD and Statistics Canada

Share of high-technology industries in exports -2000
(as a percentage of exports)



Sources: Institut de la statistique du Québec and OECD

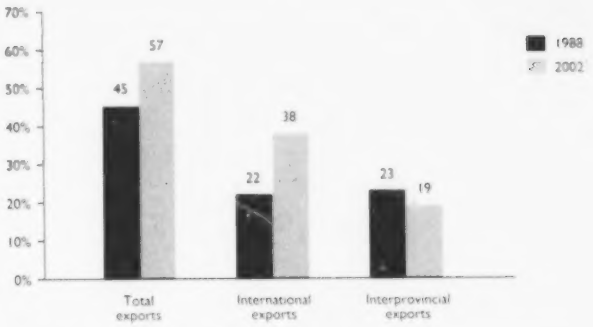
Montréal: high-tech centre of the new economy

- Montréal is an acknowledged hub of new technologies and ranks among the leaders of technological development:
  - Montréal ranks in fourth place in North America in terms of the number of jobs per capita in high-technology sectors (Technovision Montréal, 2001);
  - the US magazine Wired (July 2000) ranks Montréal fifth among the world's of new technology hubs, on an equal footing with New York and Seattle, and ahead of Los Angeles, Paris and Tokyo.
- Montréal offers:
  - a high concentration of researchers in biotechnology, pharmacology, information and multimedia technology;
  - a critical mass of companies in high-technology sectors;
  - top-notch scientific resources with four universities and over 300 research centres;
  - more accessible financing for companies with the presence of Nasdaq Canada.

An open economy highly integrated into the North American market

- With the North American Free Trade Agreement (NAFTA), Québec has access to a huge market:
  - in 1988, prior to NAFTA, exports accounted for close to 45% of Québec's GDP;
  - today, they account for 57% of GDP.
- Since 1988, international merchandise exports have tripled:
  - about 85% is destined for the United States.

Québec's exports
(as a percentage of GDP)



1 Preliminary results.
Sources: Statistics Canada, Institut de la statistique du Québec and ministère des Finances, de l'Économie et de la Recherche.

Ranking of the economic partners of the United States - 2002

	Exporters to the United States	Export markets of the United States
1	Canada	Canada
2	Mexico	Mexico
3	China	Japan
4	Japan	Québec
5	Germany	United Kingdom
6	Québec	Germany
7	United Kingdom	South Korea
8	South Korea	China

Sources: US Census Bureau, Statistics Canada and Institut de la statistique du Québec.

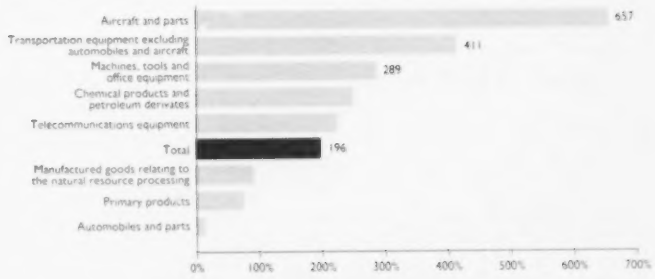
Québec: a preferred trading partner of the United States

- Québec is sixth-largest exporter on the American market:
  - ahead of the United Kingdom and South Korea.
- Québec is the fourth-largest export market for the United States:
  - before the United Kingdom, Germany, South Korea and China.

High value-added exports

- Québec's international exports reflect its diversified industrial structure in which high value-added products account for a growing proportion of output.
- The share of investment goods in exports has substantially increased, from 23% in 1988 to 37% in 2002.
- Investment goods account for most of the growth in international merchandise exports between 1988 and 2002:
  - aircraft and parts: 657%;
  - transportation equipment: 411%;
  - machines, tools and office equipment: 289%.

Cumulative growth of merchandise exports 1988-2002[1]
(as a percentage)



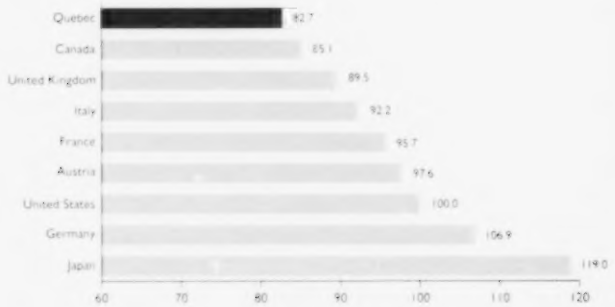
1 Preliminary results.
Source: Institut de la statistique du Québec.

A competitive economy

Business location and operating costs among the lowest in the world

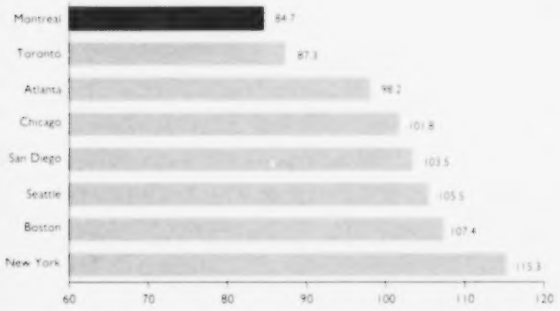
- The most recent KPMG data (2003) again confirm that business location and operating costs in Québec are the lowest among the major industrialized countries.
- Furthermore, unit labour costs in Québec are close to 31% lower than in the United States.

Index of business location and operating costs
(United States = 100)



1 Results obtained from the Competitive Alternatives 2003 cost model under license from KPMG. The lower a country's index, the lower its business location and operating costs.
Sources: KPMG and ministère des Finances, de l'Économie et de la Recherche.

Index of business location and operating costs in major North American cities
(United States = 100)



1 Results obtained from the Competitive Alternatives 2003 cost model under license from KPMG. The lower a city's index, the lower its business location and operating costs.
Sources: KPMG and ministère des Finances, de l'Économie et de la Recherche.

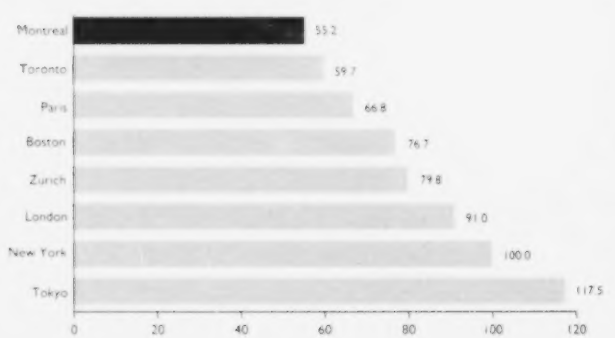
Competitively positioned in North America

- Compared to other main North American cities studied, business location and operating costs were lowest in Montréal.
- Such costs are 26.5% lower in Montréal than in New York.
- In the category of cities with a population of 500 000 to 1 500 000, Québec City ranks second with costs 17% lower than the United States' average.

Cost and quality of life

- According to a study by Mercer Human Resource Consulting (2002) covering 144 business centres around the world, Montréal is among the cities with the lowest cost of living.
- In Mercer Human Resource Consulting's annual studies on quality of life in 200 cities, Montréal always ranks near the top.

Cost of living index of certain cities
(New York = 100)

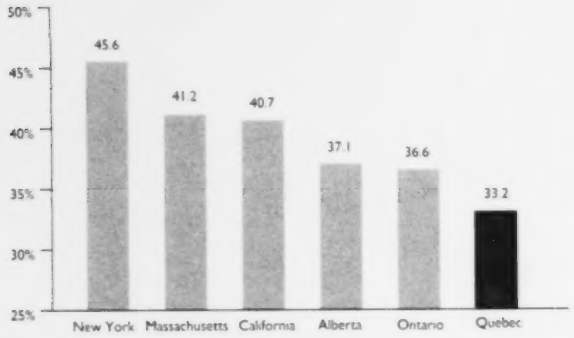


1 The higher the index, the higher the cost of living.
Source: Mercer Human Resource Consulting (2002).

A tax system that favours economic growth

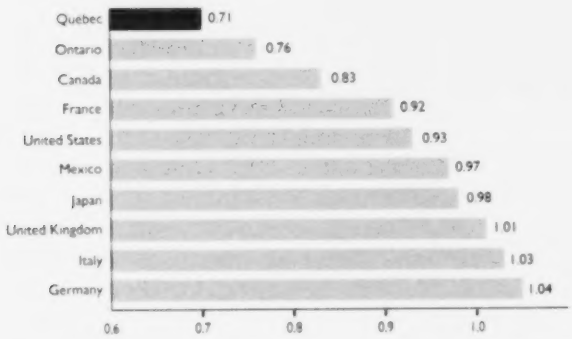
- Québec businesses enjoy a tax system that is competitive compared with Ontario and neighbouring American states.
- Tax rates on business profits in Québec are among the lowest in North America.
- Companies can claim a refund of Québec sales tax on almost all their purchases.
- Tax measures are in place to encourage the development of the new economy and investment, in particular a 10-year tax holiday for major investment projects.

Combined[1] corporate income tax rates - as at January 1, 2003



1 Maximum tax rates applicable to the active income of corporations by all levels of government.
Sources: KPMG and ministère des Finances, de l'Économie et de la Recherche.

Competitiveness index of the tax treatment of an R&D expenditure



1 Revenue needed by a large company to cover an R&D expenditure of $1.
2 Rates in effect in 1999-2000 for countries. Rates in effect in 2002 for Québec and Ontario.
Sources: From a study by Jack Warda, "Measuring the Value of R&D Tax Treatment in OECD Countries", *STI Review No.27*, OECD, 2001, pp.203-232; Investissement-Québec and ministère des Finances, de l'Économie et de la Recherche.

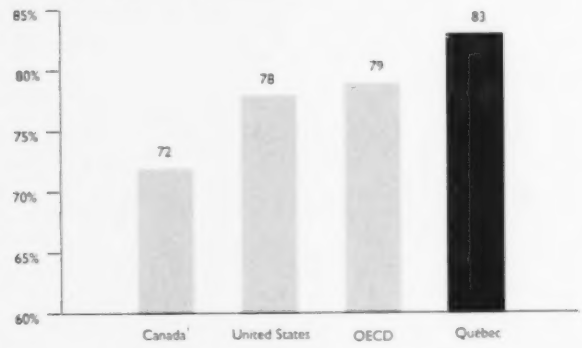
Tax treatment that favours innovation

- Québec's tax system is clearly favourable for profitable companies that invest in boosting their productive capacity and improving their technology:
  - according to a study by the OECD, Québec offers the most favourable tax treatment for R&D spending by a large company.

Competitive, skilled manpower

- Highly skilled manpower:
  - more than 80% of workers have a high school diploma and close to 20% are university graduates;
  - with an initial bachelor's degree success rate of 27%, Québec exceeds the OECD average of 24%;
  - half of Montréal's labour force is bilingual.
- An international survey by the OECD published in December 2001 (PISA survey) ranked Quebecers second in the world in mathematics and fourth in science and reading.

Secondary school graduation rate - 1999



1 Rates for 1998.
Source: Ministère de l'Éducation du Québec.

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

THE PAGES WHICH FOLLOW HAVE BEEN FILMED TWICE IN ORDER TO OBTAIN THE BEST REPRODUCTIVE QUALITY

USERS SHOULD CONSULT ALL THE PAGES REPRODUCED ON THE FICHE IN ORDER TO OBTAIN A COMPLETE READING OF THE TEXT.

REMARQUE IMPORTANTE CONCERNANT LES PAGES QUI SUIVENT

LES PAGES SUIVANTES ONT ÉTÉ REPRODUITES EN DOUBLE AFIN D'AMÉLIORER LA QUALITÉ DE REPRODUCTION

LES UTILISATEURS DOIVENT CONSULTER TOUTES LES PAGES REPRODUITES SUR LA FICHE AFIN D'OBTENIR LA LECTURE DU TEXTE INTÉGRAL

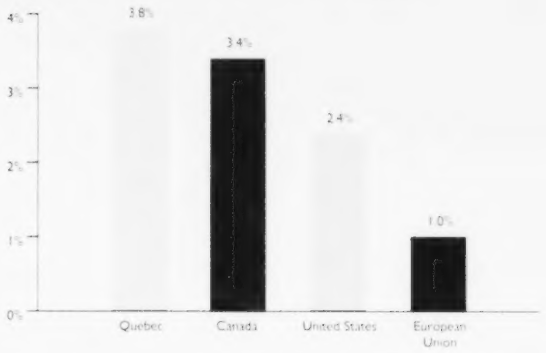
Micromedia
ProQuest

20 Victoria Street
Toronto, Ontario M5C 2N8
Tel.: (416) 362-5211
Toll Free: 1-800-387-2689
Fax: (416) 362-6161
Email: info@micromedia.on.ca

A vigorous economy

- Economic support policies and the growing diversification of Québec's economy have contributed to strong economic growth in Québec in recent years:
  - economic growth was 3.7% from 1997 to 2002, better than the G7 (2.4%).
- Québec's economy slowed in 2001, with growth of 1.1%. But it rebounded in 2002, growing by 3.8%:
  - better than the performance achieved in Canada, the United States and the European Union.
- For 2003, Québec's economy is forecast to grow by 3.5%:
  - a rate comparable to the forecasts of private-sector economists (3.3%).

Real gross domestic product – 2002
(change in percentage, constant 1997 dollars)



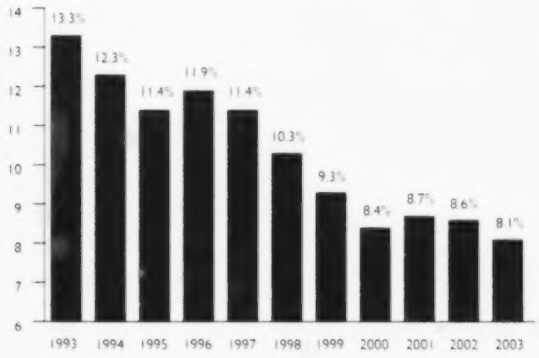
1 Preliminary results.
Sources: International Monetary Fund and ministère des Finances, de l'Économie et de la Recherche.

Economic indicators
(as a percentage, except when indicated)

	2002	2003
Québec		
Real GDP growth[1]	3.8	3.5
Consumption[1]	4.4	5.3
Housing starts (units)	42 500	40 200
International merchandise exports (1997$)[1]	-1.4	2.3
Unemployment rate	8.6	8.1
Employment growth	3.4	2.5
Consumer price index	2.0	2.7
Canada		
Interest rates		
- Treasury bills (3 months)	2.6	3.0
- Bonds (10 years)	5.3	5.2
Exchange rate (¢US)	63.7	66.2

1 Preliminary results for 2002.
Sources: Bank of Canada, Institut de la statistique du Québec and ministère des Finances, de l'Économie et de la Recherche.

Unemployment rate – Québec
(as a percentage)



Sources: Institut de la statistique du Québec and ministère des Finances, de l'Économie et de la Recherche.

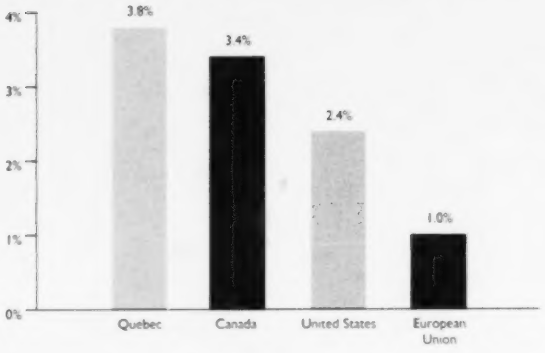
Growth that creates jobs

- The economy's remarkable performance has led to a sharp drop in the unemployment rate, from 13.3% in 1993 to 8.4% in 2000, the lowest it has been since 1976.
- After rising slightly in 2001, the unemployment rate stood at 8.6% in 2002:
  - excluding the increase in the participation rate, the unemployment rate would have been 6.4%;
  - 118 000 jobs were created in Québec in 2002, the best performance since 1973;
  - almost 70% of 15-64 year-olds are employed:
    - an all-time record for Québec.
- The unemployment rate should fall to 8.1% in 2003.

A vigorous economy

- Economic support policies and the growing diversification of Québec's economy have contributed to strong economic growth in Québec in recent years:
  - economic growth was 3.7% from 1997 to 2002, better than the G7 (2.4%).
- Québec's economy slowed in 2001, with growth of 1.1%. But it rebounded in 2002, growing by 3.8%:
  - better than the performance achieved in Canada, the United States and the European Union.
- For 2003, Québec's economy is forecast to grow by 3.5%:
  - a rate comparable to the forecasts of private-sector economists (3.3%).

Real gross domestic product – 2002[1]
(change in percentage, constant 1997 dollars)



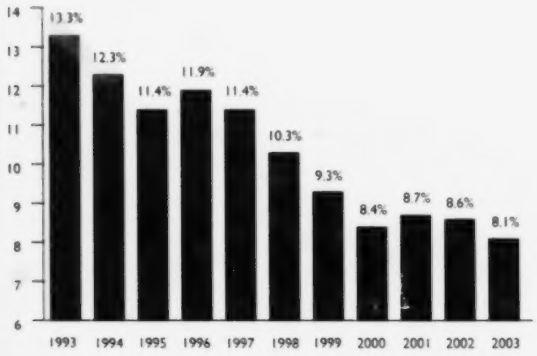
1 Preliminary results.
Sources: International Monetary Fund and ministère des Finances, de l'Économie et de la Recherche.

Economic indicators
(as a percentage, except when indicated)

	2002	2003
Québec		
Real GDP growth[1]	3.8	3.5
Consumption[1]	4.4	5.3
Housing starts (units)	42 500	40 200
International merchandise exports (1997$)[1]	-1.4	2.3
Unemployment rate	8.6	8.1
Employment growth	3.4	2.5
Consumer price index	2.0	2.7
Canada		
Interest rates		
- Treasury bills (3 months)	2.6	3.0
- Bonds (10 years)	5.3	5.2
Exchange rate (¢US)	63.7	66.2

1 Preliminary results for 2002.
Sources: Bank of Canada, Institut de la statistique du Québec and ministère des Finances, de l'Économie et de la Recherche.

Unemployment rate – Québec
(as a percentage)



Sources: Institut de la statistique du Québec and ministère des Finances, de l'Économie et de la Recherche.

Growth that creates jobs

- The economy's remarkable performance has led to a sharp drop in the unemployment rate, from 13.3% in 1993 to 8.4% in 2000, the lowest it has been since 1976.
- After rising slightly in 2001, the unemployment rate stood at 8.6% in 2002:
  - excluding the increase in the participation rate, the unemployment rate would have been 6.4%;
  - 118 000 jobs were created in Québec in 2002, the best performance since 1973;
  - almost 70% of 15-64 year-olds are employed:
    - an all-time record for Québec.
- The unemployment rate should fall to 8.1% in 2003.

Agencies that foster economic development

Investissement Québec

- This organization makes use of effective financial and fiscal instruments to support private investment.
- 40% refundable tax credits, in particular for eligible employees of the Cité du Multimédia, information technology development centres and new economy centres.
- Involvement in 1 066 projects in 2001-2002, representing $4.5 billion of investment and 18 000 new jobs.

Société générale de financement

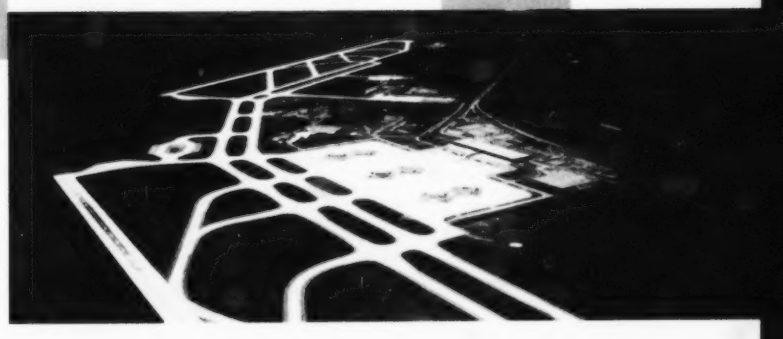
- The Société générale de financement du Québec (SGF) is working to generate $10 billion of investment in five years by carrying out economic development projects with partners.
- The SGF participated in 41 projects in 2001 representing $3.1 billion of investment and 5 800 new jobs.

International Financial Centre

- Objective: facilitate the location and development in Montréal of businesses specializing in international financial transactions.
- Tax benefits for businesses: full exemption from the payroll tax, the tax on capital and provincial tax on profits from international transactions.
- Tax benefits for employees: for non-residents, five-year provincial income tax exemption; for others, a 50% income tax reduction.
- More than 110 institutions in Montréal currently have IFC status.

Montréal Foreign Trade Zone at Mirabel

- Technical and financial assistance for the implementation of projects in international logistics, aircraft maintenance and repair, training in the field of aviation and light manufacturing.
- Among other things, the Mirabel Zone offers tax credits for the construction of buildings, leasing or purchase of equipment, and on the salaries of eligible employees.
- Results: projects totalling $392 million of investment since 1999 and 3 000 jobs.

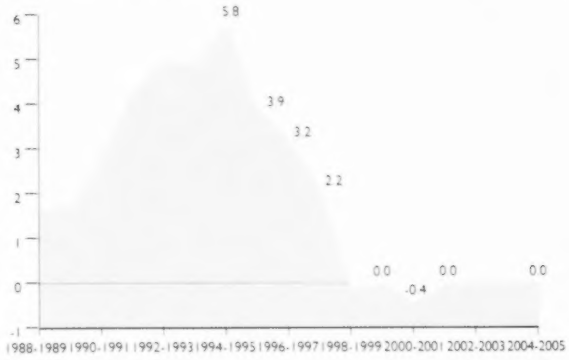


Rigorous management of public finances

Elimination of the Budget deficit

- Since the mid-1990s, the government has pursued rigorous management of public finances:
  - the budget deficit of close to $6 billion in 1994-1995 (3.4% of GDP) was eliminated in 1998-1999;
  - the budget has remained balanced ever since and will remain so over the forecast period.

Budget deficit
(in billions of dollars)



Source: Ministère des Finances, de l'Économie et de la Recherche

Balanced-budget Act

- **Unanimously adopted by the National Assembly in 1996**
- **Requires the government to maintain a zero deficit**

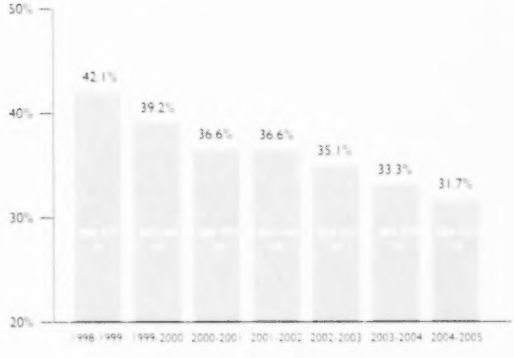
Balanced budget legislation

- In 1996, Québec's National Assembly unanimously passed the *Act respecting a balanced budget*, which bans future budget deficits, other than in exceptional circumstances.

Debt reduction

- The restoration of public finances has enabled the government to reduce the debt representing accumulated deficits.
- The ratio of the debt representing accumulated deficits to GDP has fallen by close to 25% in six years:
  - from 42.1% in 1998-1999 to 31.7% in 2004-2005.

Debt representing accumulated deficits
(as a percentage of GDP)



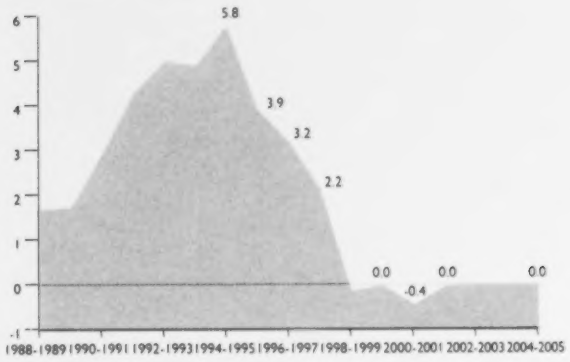
Source: Ministère des Finances, de l'Économie et de la Recherche

Rigorous management of public finances

Elimination of the Budget deficit

- Since the mid-1990s, the government has pursued rigorous management of public finances:
  - the budget deficit of close to $6 billion in 1994-1995 (3.4% of GDP) was eliminated in 1998-1999;
  - the budget has remained balanced ever since and will remain so over the forecast period.

Budget deficit
(in billions of dollars)



Source: Ministère des Finances, de l'Économie et de la Recherche

Balanced-budget Act

- **Unanimously adopted by the National Assembly in 1996**
- **Requires the government to maintain a zero deficit**

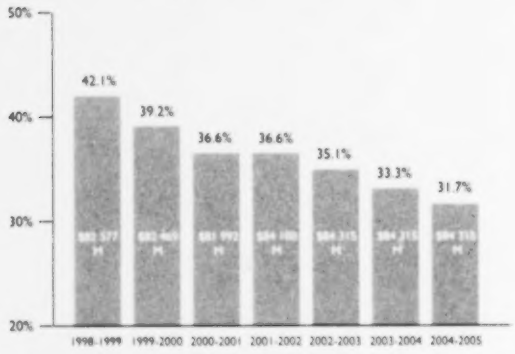
Balanced budget legislation

- In 1996, Québec's National Assembly unanimously passed the *Act respecting a balanced budget*, which bans future budget deficits, other than in exceptional circumstances.

Debt reduction

- The restoration of public finances has enabled the government to reduce the debt representing accumulated deficits.
- The ratio of the debt representing accumulated deficits to GDP has fallen by close to 25% in six years:
  - from 42.1% in 1998-1999 to 31.7% in 2004-2005.

Debt representing accumulated deficits
(as a percentage of GDP)

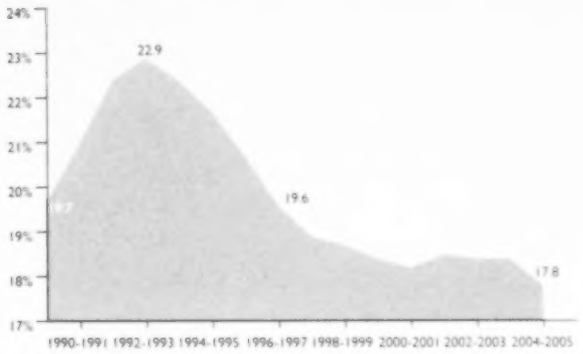


Source: Ministère des Finances, de l'Économie et de la Recherche

Spending management

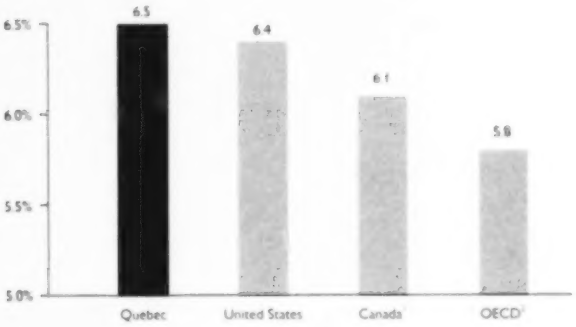
- Québec was able to eliminate the budgetary deficit by rigorous management of spending:
  - the program spending to GDP ratio will have fallen from 22.9% in 1992-1993 to 17.8% in 2004-2005:
    - the lowest it has been in 30 years.

Program spending[1]
(as a percentage of GDP)



1 Excluding extraordinary expenditures of 1 377 million in 1998-1999.
Source: Ministère des Finances, de l'Économie et de la Recherche.

Education Spending
(as a percentage of GDP)



1 Spending for Canada does not include Quebec.
2 Countries with a particulary low level of wealth have been excluded (Hungary, Turkey, the Czech Republic, Greece, Mexico).
Source: Ministère de l'Éducation du Québec.

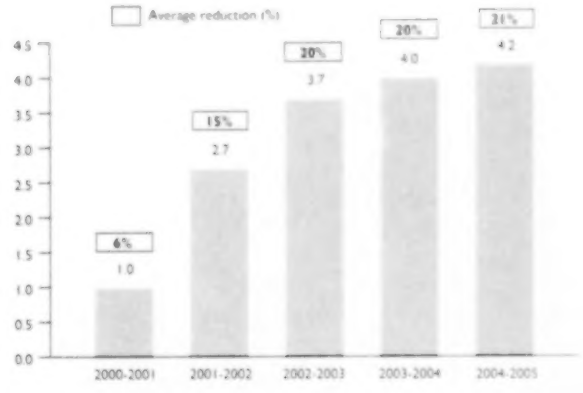
Excellent public services

- Despite the rigorous management of spending, public services remain among the best in the world.
- In particular, access to the health system remains free and universal.
- Education remains a priority:
  - private and public spending on education remain higher in Québec than in the rest of Canada, the United States and OECD countries.

Personal income tax reduction

- Reducing the personal tax burden is a government priority:
  - over five years, the government will have granted taxpayers a total tax reduction of $15 billion;
  - for an average cut in personal income tax of more than 20%.

Personal income tax reduction
(in billions of dollars)

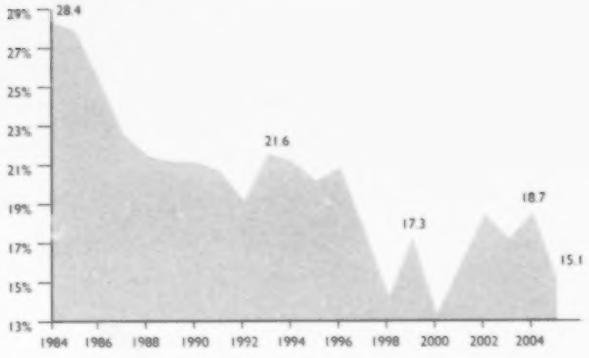


Source: Ministère des Finances, de l'Économie et de la Recherche.

Lower federal transfers

- Québec has restored order to its public finances in spite of the continuing decline in federal transfers as a proportion of its budgetary revenue:
  - federal transfers, which accounted for over one quarter of budgetary revenue in the 1980s, now amount to less than 20%.

Federal transfers[1]
(as a percentage of budgetary revenue)



1 Fiscal year ending March 31.
Source: Ministère des Finances, de l'Économie et de la Recherche.

Summary of consolidated financial transactions
(in millions of dollars)

	2002-03	2003-04	2004-05
Budgetary transactions			
Own-source revenue	43 712	46 084	47 949
Federal transfers	9 108	10 566	8 538
Total revenue	**52 820**	**56 650**	**56 487**
Operating expenditure	-45 540	-48 160	-48 748
Debt service	-7 280	-7 681	-8 242
Total expenditure	**-52 820**	**-55 841**	**-56 990**
Budgetary reserve			
Funds allocated to reserve	—	-809	—
Use of funds allocated to reserve to finance health care	—	—	503[1]
Budgetary surplus after reserve	**0**	**0**	**0**
Non-budgetary transactions	-1 927	-1 074	-1 422
Net financial requirements	**-1 927**	**-1 074**	**-1 422**

1 The balance of the reserve will amount to $306 million as at March 31, 2005 and will be used to finance health care expenditures in 2005-2006.

The 2003-2004 Budget is one of continuity

- The government intends to maintain rigorous management of public finances:
  - the budget will be balanced for the sixth year running;
  - on-going decline in the debt representing accumulated deficits as a percentage of GDP. From 42.1% in 1998-1999, it will fall to 31.7% in 2004-2005, a reduction of nearly 25% in six years;
  - spending is growing more slowly than GDP:
    - spending in the health sector will rise by $1.7 billion, including an injection of $838 million generated by additional transfers from the federal government;
    - furthermore, the $400 million in new measures announced in this Budget will be funded by budgetary reallocations.
- The government also intends to set aside $809 million in the budgetary reserve in 2003-2004 to fund health spending in subsequent years.

Financing programs

Government and Financing Fund

- The financing program for 2003-2004 is estimated at almost $4.7 billion.
- The program is essentially designed to:
  - pay off maturing borrowings;
  - take advantage of opportunities on financial markets to:
    - contribute to a sinking fund that can eventually be used to pay retirement benefits of public sector employees;
    - carry out advantageous pre-financing transactions.
  - make loans to certain consolidated organizations and government corporations via the Financing Fund.
- Important pre-financing was carried out in 2002-2003:
  - it reflects favourable borrowing conditions on financial markets in early 2003, namely low interest rates and strong demand for Québec securities;
  - it provides leeway in the current context of market volatility.

Government and Financing Fund
Financing program
(in millions of dollars)

	2002-2003	2003-2004
Consolidated Revenue Fund		
• Net financial requirements[1]	300	-500
• Repayment of borrowings	3 757	3 850
• Change in cash position	-1 154	-4 053
• Retirement Plans Sinking Fund[2]	1 658	2 385
• Pre-financing	4 053	—
	8 614	1 682
Financing Fund[3]	2 002	3 000
Total	10 616	4 682

1 Excluding consolidated organizations.
2 Deposits to the Retirement Plans Sinking Fund are optional.
3 Borrowings are made out of the Financing Fund to certain consolidated organizations and government corporations.

Financement-Québec
(in millions of dollars)

	2002-2003	2003-2004
Financing program	2 244	2 000

Financement-Québec

- This government corporation, created in 1999, borrows on public and private markets:
  - in its own name;
  - with the government's guarantee;
  - to provide loans to establishments of the health and education network, which are not part of the government's reporting entity. These organizations were formerly served by the Financing Fund.
- Financement-Québec's borrowing needs are estimated at $2.0 billion in 2003-2004.
- To date, Financement-Québec has issued five benchmarks in Canadian dollars, one in euros and one in US dollars.

Financement-Québec issues

Coupon %	Maturity	Initial issue date	Currency	Amount outstanding as at March 11, 2003 (in millions of dollars)
variable	2003	2000/08	CAN$	130.0
6.25	2003	2000/07	CAN$	749.8
6.30	2006	2000/08	CAN$	998.2
5.75	2008	2001/04	CAN$	1105.5
FRN	2008	2001/12	€	650.0
5.00	2012	2002/10	US$	500.0
6.25	2015	2000/09	CAN$	309.4

Lower federal transfers

- Québec has restored order to its public finances in spite of the continuing decline in federal transfers as a proportion of its budgetary revenue:
  - federal transfers, which accounted for over one quarter of budgetary revenue in the 1980s, now amount to less than 20%.

Federal transfers
(as a percentage of budgetary revenue)

Summary of consolidated financial transactions
(in millions of dollars)

	2002-03	2003-04	2004-05
Budgetary transactions			
Own-source revenue	43 712	46 084	47 949
Federal transfers	9 108	10 566	8 538
Total revenue	**52 820**	**56 650**	**56 487**
Operating expenditure	-45 540	-48 160	-48 748
Debt service	-7 280	-7 681	-8 242
Total expenditure	**-52 820**	**-55 841**	**-56 990**
Budgetary reserve			
Funds allocated to reserve	—	-809	—
Use of funds allocated to reserve to finance health care	—	—	503[1]
Budgetary surplus after reserve	**0**	**0**	**0**
Non-budgetary transactions	-1 927	-1 074	-1 422
Net financial requirements	**-1 927**	**-1 074**	**-1 422**

[1] The balance of the reserve, an amount of $306 million as at March 31, 2005 will be used to finance health care expenditures in 2005-2006.

The 2003-2004 Budget is one of continuity

- The government intends to maintain rigorous management of public finances:
  - the budget will be balanced for the sixth year running;
  - on-going decline in the debt representing accumulated deficits as a percentage of GDP. From 42.1% in 1998-1999, it will fall to 31.7% in 2004-2005, a reduction of nearly 25% in six years;
  - spending is growing more slowly than GDP:
    - spending in the health sector will rise by $1.7 billion, including an injection of $838 million generated by additional transfers from the federal government;
    - furthermore, the $400 million in new measures announced in this Budget will be funded by budgetary reallocations.
- The government also intends to set aside $809 million in the budgetary reserve in 2003-2004 to fund health spending in subsequent years.

Financing programs

Government and Financing Fund

- The financing program for 2003-2004 is estimated at almost $4.7 billion.
- The program is essentially designed to:
  - pay off maturing borrowings;
  - take advantage of opportunities on financial markets to:
    - contribute to a sinking fund that can eventually be used to pay retirement benefits of public sector employees;
    - carry out advantageous pre-financing transactions.
  - make loans to certain consolidated organizations and government corporations via the Financing Fund.
- Important pre-financing was carried out in 2002-2003:
  - it reflects favourable borrowing conditions on financial markets in early 2003, namely low interest rates and strong demand for Québec securities;
  - it provides leeway in the current context of market volatility.

Government and Financing Fund
Financing program
(in millions of dollars)

	2002-2003	2003-2004
Consolidated Revenue Fund		
• Net financial requirements[1]	300	-500
• Repayment of borrowings	3 757	3 850
• Change in cash position	-1 154	-4 053
• Retirement Plans Sinking Fund[2]	1 658	2 385
• Pre-financing	4 053	—
	8 614	1 682
Financing Fund[3]	2 002	3 000
Total	10 616	4 682

1. Excluding cross-border investments.
2. Deposits to the Retirement Plans Sinking Fund are capitalized.
3. Borrowings on behalf of the Financing Fund to make loans to consolidated organizations and government corporations.

Financement-Québec
(in millions of dollars)

	2002-2003	2003-2004
Financing program	2 244	2 000

Financement-Québec issues

Coupon %	Maturity	Initial issue date	Currency	Amount outstanding as at March 11, 2003 (in millions of dollars)
variable	2003	2000/08	CAN$	130.0
6.25	2003	2000/07	CAN$	749.8
6.30	2006	2000/08	CAN$	998.2
5.75	2008	2001/04	CAN$	1105.5
FRN	2008	2001/12	€	650.0
5.00	2012	2002/10	US$	500.0
6.25	2015	2000/09	CAN$	309.4

Financement-Québec

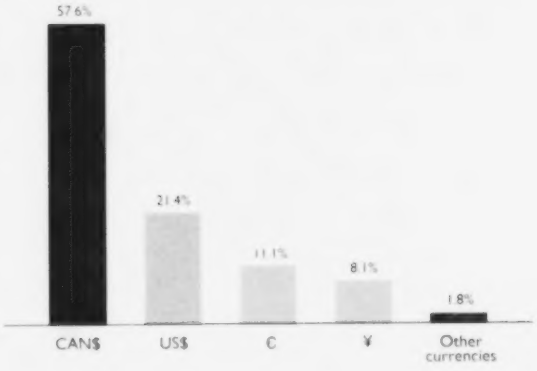
- This government corporation, created in 1999, borrows on public and private markets:
  - in its own name;
  - with the government's guarantee;
  - to provide loans to establishments of the health and education network, which are not part of the government's reporting entity. These organizations were formerly served by the Financing Fund.
- Financement-Québec's borrowing needs are estimated at $2.0 billion in 2003-2004.
- To date, Financement-Québec has issued five benchmarks in Canadian dollars, one in euros and one in US dollars.

Diversification-oriented funding strategy

Markets

- Financing transactions are carried out on several markets:
  - Canada;
  - United States;
  - Europe;
  - Asia;
  - Australia.

Structure of the debt managed by the government[1] by currency as at March 31, 2003 (before currency swap and Fx-forward contracts)



1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund.
2 Preliminary results.

Direct debt[1] by instrument as at March 31, 2003[2] *(as a percentage)*

1 Direct debt of the Consolidated Revenue Fund.
2 Preliminary results.

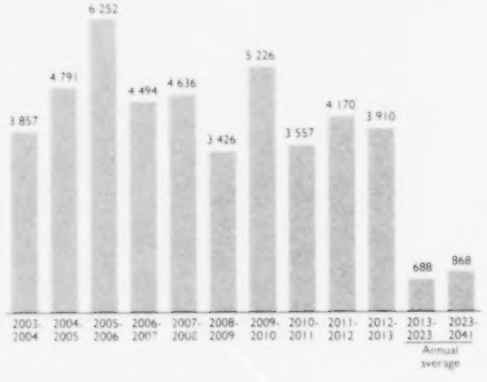
Instruments

- A variety of instruments is used to carry out financing transactions.
- Long-term instruments:
  - negotiable bonds;
  - medium-term notes;
  - private issues;
  - retail savings products.
- Short-term instruments:
  - Treasury bills;
  - Treasury notes.
- Lines of credit:
  - syndicated (US$3 500 million available);
  - bank ($1 165 million available).

Maturities

- Maturities are spread over time:
  - to avoid massive refinancing.

Long-term direct debt[1] maturities as at March 31, 2003[2] *(in millions of dollars)*



1 Direct debt of the Consolidated Revenue Fund.
2 Preliminary results.

Strategy: liquidity

- The liquidity of Québec securities is a top priority.
- To this end, the following strategy has been put into place:
  - regular presence on major markets:
    - with benchmark issues; and
    - by reopening issues.
  - long-term relations with Québec's financial partners;
  - satisfaction of investors' need;
  - promotion of Québec securities:
    - promotional documents;
    - meetings with investors;
    - involvement of banks and brokerage firms.

Reopening issues in Canada

Coupon %	Maturity	Initial issue date	Number of reopenings since initial issue	Amount outstanding as at March 11, 2003 (in millions of dollars)
6.5	2005	2000/02	7	2 061
6.5	2007	1997/02	20	3 075
5.5	2009	1999/01	18	2 498
6.25	2010	2000/08	16	2 571
6.0	2012	2002/04	6	2 122
9.375	2023	1993/03	9	2 202
6.0	2029	1998/05	16	2 737
6.25	2032	2000/06	12	4 072

Long-term relations with foreign markets

- Tapping foreign markets is necessary to satisfy the government's borrowing requirements.
- Québec has been present on major markets for a long time:
  - first foreign issue: London, 1874;
  - first foreign government to borrow on Wall Street in 1879;
  - second foreign government after Australia to borrow on the Japanese market in 1972;
  - first borrowing in Euro immediately in 1999;
  - in 2001, first Canadian government to borrow on the Australian market.

Some issues on foreign markets

Market	Coupon %	Maturity	Amount issued (in millions of units of the local currency)
US$ Global	5.50	2006	1 000
	5.0	2009	750
	6.125	2011	1 000
	7.5	2029	1 500
Euro	5.625	2011	1 500
	4.25	2013	1 000
Swiss Franc	3.5	2008	500
Yen	3.0	2009	100 000
	1.60	2013	50 000
Australian$	5.75	2006	280
	Floating	2006	120

Québec's first issues on foreign markets

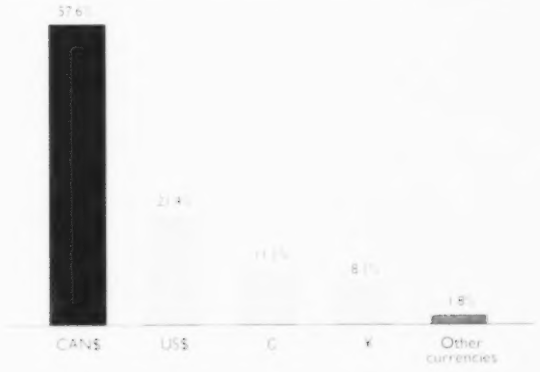
Pound sterling	1874
US dollar	1879
Deutsche mark	1968
French franc	1972
Yen (Samurai)	1972
Swiss franc	1972
Spanish peseta (Matador)	1997
Swedish crown	1998
Euro	1999
Australian (Kangaroo)	2001

Diversification-oriented funding strategy

Markets

- Financing transactions are carried out on several markets:
  - Canada;
  - United States;
  - Europe;
  - Asia;
  - Australia.

Structure of the debt managed by the government by currency as at March 31, 2003 (before currency swap and Fx-forward contracts)



Direct debt[1] by instrument as at March 31, 2003

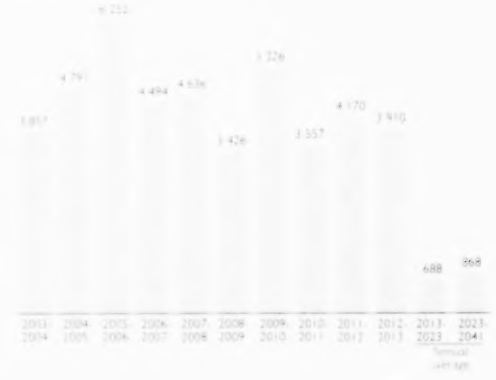
Instruments

- A variety of instruments is used to carry out financing transactions.
- Long-term instruments:
  - negotiable bonds;
  - medium-term notes;
  - private issues;
  - retail savings products.
- Short-term instruments:
  - Treasury bills;
  - Treasury notes.
- Lines of credit:
  - syndicated (US$3 500 million available);
  - bank ($1 165 million available).

Maturities

- Maturities are spread over time:
  - to avoid massive refinancing.

Long-term direct debt[1] maturities as at March 31, 2003
(in millions of dollars)



Strategy: liquidity

- The liquidity of Québec securities is a top priority.
- To this end, the following strategy has been put into place:
  - regular presence on major markets:
    - with benchmark issues; and
    - by reopening issues.
  - long-term relations with Québec's financial partners;
  - satisfaction of investors' need;
  - promotion of Québec securities:
    - promotional documents;
    - meetings with investors;
    - involvement of banks and brokerage firms.

Reopening issues in Canada

Coupon %	Maturity	Initial issue date	Number of reopenings since initial issue	Amount outstanding as at March 11, 2003 (in millions of dollars)
6.5	2005	2000/02	7	2 061
6.5	2007	1997/02	20	3 075
5.5	2009	1999/01	18	2 498
6.25	2010	2000/08	16	2 571
6.0	2012	2002/04	6	2 122
9.375	2023	1993/03	9	2 202
6.0	2029	1998/05	16	2 737
6.25	2032	2000/06	12	4 072

Long-term relations with foreign markets

- Tapping foreign markets is necessary to satisfy the government's borrowing requirements.
- Québec has been present on major markets for a long time:
  - first foreign issue: London, 1874;
  - first foreign government to borrow on Wall Street in 1879;
  - second foreign government after Australia to borrow on the Japanese market in 1972;
  - first borrowing in Euro immediately in 1999;
  - in 2001, first Canadian government to borrow on the Australian market.

Some issues on foreign markets

Market	Coupon %	Maturity	Amount issued (in millions of units of the local currency)
US$ Global	5.50	2006	1 000
	5.0	2009	750
	6.125	2011	1 000
	7.5	2029	1 500
Euro	5.625	2011	1 500
	4.25	2013	1 000
Swiss Franc	3.5	2008	500
Yen	3.0	2009	100 000
	1.60	2013	50 000
Australian$	5.75	2006	280
	Floating	2006	120

Québec's first issues on foreign markets

Pound sterling	1874
US dollar	1879
Deutsche mark	1968
French franc	1972
Yen (Samurai)	1972
Swiss franc	1972
Spanish peseta (Matador)	1997
Swedish crown	1998
Euro	1999
Australian (Kangaroo)	2001

Debt management to minimize costs and risk

- Financing decisions are taken independently from debt management decisions:
  - borrowings are made where funds are available, at the lowest possible cost;
  - futures and swap contracts are used to target optimal debt structure:
    - by currency;
    - at fixed rates and at variable rates.
- Use of financial instruments to minimize debt service fluctuations.
- As at March 31, 2003, 83% of the debt managed by the government is in Canadian dollars, 10% in yens, 4% in US dollars and 3% in swiss francs.
- 71.1% of the debt is at fixed rates and 28.9% is at variable rates.

Counterparty credit policy

- The Québec government has adopted a counterparty credit policy that includes:
  - setting explicit credit limits for each dealer;
  - continuous assessment of the market value of transactions;
  - if the credit threshold is reached, an adjustment mechanism is triggered to return within the established limits.

Financial instruments used for debt and debt service management

Interest rate futures contracts

Canada
- 3 months (BAX)
- 10 years (CGB)

United States
- 3 months LIBOR
- Options on 3-months LIBOR
- 2, 5, 10 and 30 years

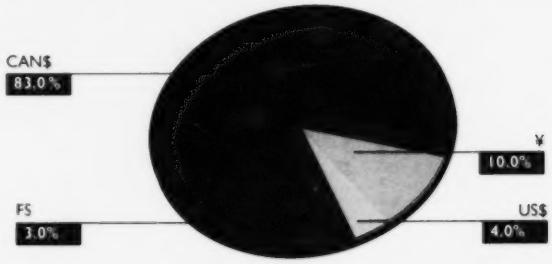
Over-the-counter products

Swaps
- Interest rates
- Cross currencies

Forwards
- Bankers' acceptance in Canada
- Fx-forwards

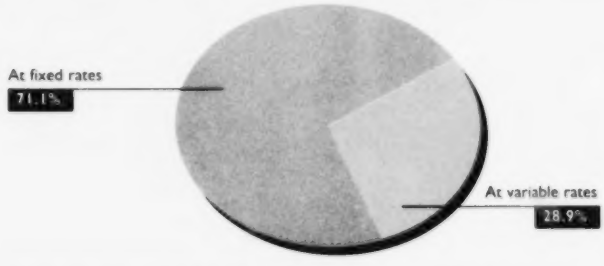
Options
- Bankers' acceptances in Canada
- Swaptions
- Fx-options

Structure of the debt managed by the government[1] by currency as at March 31, 2003[2] (including currency swap and Fx-forward contracts)



1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund.
2 Preliminary results.

Structure of the debt managed by the government[1] as at March 31, 2003[2] at fixed rates and at variable rates



1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund.
2 Preliminary results.

High-quality credit

- Moody's changed the outlook on Québec's credit rating to positive from stable in August 2002:
  - "The oulook was revised from stable to positive to reflect the fiscal improvements achieved thus far."
    Moody's report, August 2002
- Standard and Poor's:
  - "The ratings reflect [...] Québec's large and diversified economy and continuing good performance this year in spite of the sluggish North American economic environment."
    Standard & Poor's report, December 2002

Credit ratings

Agency	Rating	Outlook
Standard & Poor's	A+	stable
Moody's	A1	positive
Fitch	AA-	stable
Dominion Bond Rating Service	A	stable
Japan Credit Rating Agency	AA	positive

Risk-weighting assigned by the Bank for International Settlements

- The Bank for International Settlements (BIS) is an international organization that promotes international financial stability and cooperation among central banks. The BIS assign a risk weighting to debt issuers.
- In February 2001, the BIS ruled that foreign central banks could assign a weighting of 0% to Québec, i.e. the weighting corresponding to the minimum risk level.
- Many countries now assign a 0% weighting to Québec:
  - in particular, Luxembourg, Belgium, France, the Netherlands, Australia and Italy.

Financial markets recognize the quality of Québec's credit

- "Credit trends in Québec remain on an improving trend as seen from continued budgetary discipline and improvement in debt ratios."
  Salomon Smith Barney, September 2002
- "Québec's economy has been expanding for ten years now, and the cycle is not yet at an end."
  DZ Bank, October 2002
- The financial magazine Euroweek has recently awarded several prizes to Québec in the "sub-sovereign borrowers" category, a government borrower category:
  - Québec received first prize for its global bond issue of €1.5 billion carried out in June 2001;
  - in 2002, Québec received second prize in the same category for its US$750-million issue in July 2002.

Prize awarded to Québec for its issue of €1.5 billion in June 2001

"Sub-sovereign borrowers" category

EuroWeek

Prize awarded to Québec for its issue of US$750 million in July 2002

"Sub-sovereign borrowers" category

EuroWeek

Debt management to minimize costs and risk

- Financing decisions are taken independently from debt management decisions:
  - borrowings are made where funds are available, at the lowest possible cost;
  - futures and swap contracts are used to target optimal debt structure:
    - by currency;
    - at fixed rates and at variable rates.
- Use of financial instruments to minimize debt service fluctuations.
- As at March 31, 2003, 83% of the debt managed by the government is in Canadian dollars, 10% in yens, 4% in US dollars and 3% in swiss francs.
- 71.1% of the debt is at fixed rates and 28.9% is at variable rates.

Counterparty credit policy

- The Québec government has adopted a counterparty credit policy that includes:
  - setting explicit credit limits for each dealer;
  - continuous assessment of the market value of transactions;
  - if the credit threshold is reached, an adjustment mechanism is triggered to return within the established limits.

Financial instruments used for debt and debt service management

Interest rate futures contracts

Canada
- 3 months (BAX)
- 10 years (CGB)

United States
- 3 months LIBOR
- Options on 3-months LIBOR
- 2, 5, 10 and 30 years

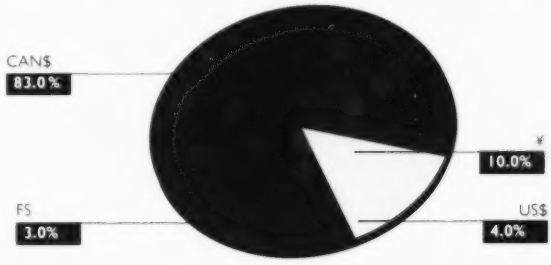
Over-the-counter products

Swaps
- Interest rates
- Cross currencies

Forwards
- Bankers' acceptance in Canada
- Fx-forwards

Options
- Bankers' acceptances in Canada
- Swaptions
- Fx-options

Structure of the debt managed by the government[1] by currency as at March 31, 2003[2] (including currency swap and Fx-forward contracts)



1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund
2 Preliminary results

Structure of the debt managed by the government[1] as at March 31, 2003[2] at fixed rates and at variable rates

1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund
2 Preliminary results

High-quality credit

- Moody's changed the outlook on Québec's credit rating to positive from stable in August 2002:
  - "The oulook was revised from stable to positive to reflect the fiscal improvements achieved thus far."
    Moody's report, August 2002
- Standard and Poor's:
  - "The ratings reflect [...] Québec's large and diversified economy and continuing good performance this year in spite of the sluggish North American economic environment."
    Standard & Poor's report, December 2002

Risk-weighting assigned by the Bank for International Settlements

- The Bank for International Settlements (BIS) is an international organization that promotes international financial stability and cooperation among central banks. The BIS assign a risk weighting to debt issuers.
- In February 2001, the BIS ruled that foreign central banks could assign a weighting of 0% to Québec, i.e. the weighting corresponding to the minimum risk level.
- Many countries now assign a 0% weighting to Québec:
  - in particular, Luxembourg, Belgium, France, the Netherlands, Australia and Italy.

Financial markets recognize the quality of Québec's credit

- "Credit trends in Québec remain on an improving trend as seen from continued budgetary discipline and improvement in debt ratios."
  Salomon Smith Barney, September 2002
- "Québec's economy has been expanding for ten years now, and the cycle is not yet at an end."
  DZ Bank, October 2002
- The financial magazine Euroweek has recently awarded several prizes to Québec in the "sub-sovereign borrowers" category, a government borrower category:
  - Québec received first prize for its global bond issue of €1.5 billion carried out in June 2001;
  - in 2002, Québec received second prize in the same category for its US$750-million issue in July 2002.

Credit ratings

Agency	Rating	Outlook
Standard & Poor's	A+	stable
Moody's	A1	positive
Fitch	AA-	stable
Dominion Bond Rating Service	A	stable
Japan Credit Rating Agency	AA	positive

Prize awarded to Québec for its issue of €1.5 billion in June 2001

Prize awarded to Québec for its issue of US$750 million in July 2002

An environment and a culture that promote openness and innovation

- Québec's society is open and innovative, progress and tradition, technology and nature, go hand in hand.

A place abounding with attractions

- Major international events are held each year in Québec:
  - the Montréal International Jazz Festival attracts performers from around the world;
  - the Carnaval de Québec made famous by its Bonhomme and snow sculptures;
  - the Francofolies de Montréal, to promote French-speaking performers;
  - the fêtes de la Nouvelle-France, in Québec City, that carry visitors back to the 17th and 18th centuries.
- These are but a few of the attractions that tourists flock to Québec to discover. This is reflected in:
  - the number of visitors from foreign countries rose by 5.0% from 1998 to 2001:
    - in 2001, over 5 million foreign tourists visited Québec.

Montréal International Jazz Festival

Québec's Ice Hotel

Cirque Éloize

A world culture

- Québec culture is increasingly recognized around the world in such varied fields as music, literature, painting, television, theatre, design, architecture and the circus.
- Some examples:
  - Céline Dion;
  - the Montréal Symphony Orchestra;
  - internationally renowned circuses such as the Cirque du Soleil and Cirque Éloize;
  - the television series "Un gars, une fille", adapted in over 20 countries;
  - paintings and sculptures by artists such as Paul-Émile Borduas, Jean-Paul Riopelle, Armand Vaillancourt;
  - the plays of Robert Lepage;
  - performances ranging from dance by companies such as La La La Human Steps to comedy at the Just For Laughs Festival;
  - fashion creations by Jean-Claude Poitras, Marie Saint-Pierre, Philippe Dubuc and many others.

The Evening Post.

ESTABLISHED 1801 — PUBLISHED DAILY BY WILLIAM C. BRYANT & CO. 208 BROADWAY, CORNER FULTON STREET — VOLUME 78

PRICE THREE CENTS. — NEW YORK, SATURDAY, MARCH 8, 1879 — NINE DOLLARS A YEAR.

DOMINION OF CANADA.

Province of Quebec Government Loan.

Issue of $3,000,000 5 per cent Bonds

IN

Denominations of $1 000 and $500.

PRINCIPAL DUE IN 1908, INTEREST HALF YEARLY on May 1st and November 1st, AND BOTH PRINCIPAL AND INTEREST PAYABLE IN AMERICAN GOLD COIN at the Agency of the Bank of Montreal IN NEW YORK or at the option of the holder, in Pound Sterling, at the office of the same Bank in London. Issued under authority of the Act 41, Vic. Cap. 1, of the Legislature of the Province of Quebec, entitled " An Act respecting the Consolidated Railway Fund of this Province. "

The Funded Debt of the Province of Quebec, exclusive of the present loan, is £1,610,200, less the amount of Sinking Fund paid thereon.

The Annual Revenue of the Province, according to the last published account, was about $2,500,000 of which about $1,000,000 is a fixed income from the Dominion Government, and all the property of the Province (which includes the Cities of Montreal and Quebec) and of its inhabitants, numbering about 1,250,000, is taxable for the payment of its loans.

A CUMULATIVE SINKING FUND OF ONE PER CENT is required by law to be annually invested for the redemption of these Bonds.

The undersigned, under authority from the Treasurer of the Province of Quebec, will receive subscriptions AT PAR AND ACCRUED INTEREST, for the above loan, UNTIL MARCH 20th NEXT, the right being however distinctly reserved TO CLOSE THE SUBSCRIPTION PRIOR TO THAT DATE. Copies of the Act under which the Loan is issued, together with the opinion of eminent counsel, and a statement respecting the finances of the Province, may be had upon application at the offices of the undersigned, who will also take steps to have these bonds placed upon the list of the New York Stock Exchange.

O.E. SMITHERS } Agents of the Bank of
W. WATSON } Montreal, 59 Wall st.
KUHN, LOEB & CO. 31 Nassau street.

"That American investors appreciate a good thing whether it is domestic or foreign, and that there is great confidence here in the good faith of the English government and its promises respecting public indebtedness, are shown by the quick sale in this market of the loan of the government of the Province of Quebec. This loan, which is for $3,000,000, was brought out here on Tuesday morning, and at the opening of business to-day $2,300,000 of the bonds had been taken. A good part of the bonds were taken by New England buyers, and there were orders of importance from Philadelphia and some from Baltimore, all the buyers, so far as we could learn, belonging to the careful class that usually invest in government securities. Whatever part of the loan remains unsold at the close of business to-day will be held for future sale by the bankers who were the original takers. **It should go on the record that the first foreign loan ever offered in New York was successful beyond expectation".**

Finances, Économie et Recherche
Québec